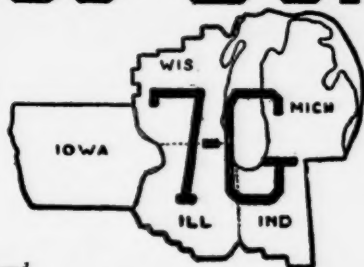


BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

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General Summary

ALTHOUGH a few lines of Seventh district industry and trade recorded declines in August from the preceding month, most phases showed gains over July. Likewise, comparisons with August last year were favorable, exceptions being noted in automobile output and certain food groups.

The steel industry received business in an increasing volume during August, and as a consequence operations were fully maintained through the middle of September with only a small reduction over the Labor Day holiday. Production of steel and malleable castings expanded in August, as did shipments of steel castings. Building construction, also, as indicated by contracts awarded, gained for the third consecutive month, and the movement of building materials increased. Shipments by furniture manufacturers expanded, though somewhat less than usually. The manufacture of automobiles was further curtailed during August. Because of this recession, total industrial employment and payrolls in the district showed a small decline from a month previous, but the aggregate for other groups increased slightly.

A counter-seasonal gain was recorded for August in the production of packing-house commodities, and sales also increased; but both production and the tonnage sold were smaller than a year ago, although the dollar value of sales was greater. The manufacture and distribution of butter declined from both a month and a year previous, but were above average for August. Likewise, the production and sales of Wisconsin cheese were heavier than average, and they totaled larger than in the same month of 1934. The movement of wheat and corn remained

much below normal, although that of wheat expanded over July; receipts of oats so far this season have been close to average but reshipments considerably under it. Favorable weather after the early part of September was helpful to the corn crop of the Seventh district. September 1 forecasts for corn, potatoes, and a few other crops were higher than a month previous, while those for small grain and fruit were reduced.

In the wholesale distribution of commodities, a counter-seasonal decline took place in the grocery trade which also was less than in August a year ago, the recession in hardware sales was slightly more than average for August, and the increase in drug sales was less than usual; electrical supply sales, on the other hand, increased substantially over July. The department store and retail shoe trades experienced greater than average expansion in August, although gains over a year ago were small, the department store increase in this latter comparison being affected by a decline in sales of Chicago stores. The retail furniture and chain store trades likewise expanded in August, the former about seasonally.

Owing to payments made to the Treasury, which were only partly offset by increased commercial and financial transactions and a decrease in the demand for currency, Seventh district member bank reserve balances fell off almost 60 millions in the period August 14—September 18. Investments of weekly reporting member banks continued to increase in these weeks; net demand deposits therein also gained, but time deposits decreased. Commercial paper sales by dealers in the Middle West totaled about the same in August as a month previous, while new financing by means of bankers' acceptances declined counter-seasonally; both were much below average for August.

Credit Conditions and Money Rates

The accompanying tabulation sets forth in detail the sources and uses of Seventh district banking reserves in the five weeks ended September 18, 1935. Inter-district commercial and financial transactions during the period resulted in a net inflow of funds to this district of over 170 millions, which amount, however, was more than offset by net payments of about 210 millions made to the Treasury. The much smaller increase shown in the Treasury balance was due to retirement of national bank notes.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	SEPTEMBER 18, 1935	CHANGE FROM AUGUST 14, 1935	SEPTEMBER 19, 1934
Total Bills and Securities.....	\$ 358.3	\$ +0.1	\$ -71.0
Bills Discounted.....	0.0	+0.0	-0.1
Bills Bought.....	0.6	-0.0	-0.1
U. S. Government Securities.....	355.7	0	-72.7
Total Reserves.....	1,262.1	-30.6	+157.0
Total Deposits.....	774.1	-40.2	+39.3
Federal Reserve Notes in Circulation.....	808.6	+9.6	+34.8
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Combined...	79.7	-0.4*	+6.5*

*Number of Points.

As a consequence of these payments, member bank reserve balances declined over 58 million dollars. Demand for currency decreased 20 millions in the period. The total amount of credit extended by the Federal Reserve Bank of Chicago outstanding on September 18, 1935, amounted to \$354,944,000, which compares with \$355,326,000 on August 14.

Changes between August 14 and September 18 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District

(Amounts in thousands of dollars)

Reserve bank credit extended (exclusive of amounts to other districts).....	-453
Commercial operations through inter-district settlements.....	+170,191
Treasury and National bank currency.....	-212,495
Total supply.....	-42,757
Demand for currency.....	-20,227
Member bank reserve balances.....	-58,233
Treasury cash and deposits at Federal Reserve Bank of Chicago..	+35,566
Special and "all other" deposits.....	+581
Other Federal Reserve accounts.....	-444
Total demand.....	-42,757

A prevailing rate of 1½ to 5 per cent on customers' commercial loans was reported by down-town Chicago banks for the week ended September 15, unchanged from the corresponding week of August. The average rate earned on loans and discounts by banks located in the down-town section of Chicago during the calendar month of August was 3.06 per cent, as against 3.04 per cent in July and 2.94 per cent in August 1934. In the city of Detroit, customers' commercial loans were quoted at 3½ to 5 per cent for the week ended September 15, as had been the case for the week ended August 15.

August commercial paper sales in the Middle West were practically unchanged in amount from July, though totaling 21 per cent below August 1934 and 51 per cent less than the 1925-34 average for the month. Under the influence of a fair investment demand for the rather limited supply of paper available, selling rates tended to ease slightly from July. August quotations, therefore, ranged from ½ to ¾ per cent for prime short-term obligations to ¾ and 1 per cent for less well-known paper or that of longer maturity; most transactions took place at ¾ per cent. The amount of commercial paper outstanding on August 31 was 7 per cent greater than on July 31 and more than for any period since October 31, 1934. Sales of commercial paper during the first half of September declined 33½ per cent from the corresponding weeks in August.

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	SEPTEMBER 18, 1935	CHANGE FROM AUGUST 14, 1935	SEPTEMBER 19, 1934
Total loans and investments.....	\$2,215	\$+82	\$+324
Total loans on securities.....	226	0	-63
To brokers and dealers.....			
In New York.....	1	0	-24
Outside New York.....	31	+1	+5
To others.....	194	-1	-44
Acceptances and commercial paper bought.....	30	-1	-31
Loans on real estate.....	30	-1	-7
Other loans.....	307	-1	-16
U. S. Government direct obligations.....	1,185	+58	+366
Obligations fully guaranteed by U. S. Government.....	109	+16
Other securities.....	328	+11	+75*
Net demand deposits**.....	2,037	+86	+339
Time deposits.....	555	-10	+66
Borrowings from Federal Reserve Bank.....	0	0	0

*Represents obligations fully guaranteed by U. S. Government and other securities. Segregated figures not available.

**Net demand deposits figures subsequent to August 23, 1935, include Government deposits.

Following a period of considerable activity between July 11 and August 14, market operations of Chicago bill dealers became extremely limited during the four weeks ended September 11. Local purchases remained in small volume and were all sold to local banks. Receipts from Eastern cities totaled slightly less than one-half those of the preceding period, and moved rapidly into investment channels going to out-of-town banks. Selling rates ranged from ⅛ to ⅜ per cent, unchanged from recent months.

After having recorded greater than usual expansion in July, new financing by means of bankers' acceptances in the Seventh district declined during August—contrary to seasonal tendency—and was 65 per cent below the 1925-34 average for the month. Similar trends were indicated in the direct discounting of these bills at the original banks of acceptance and in the buying of other banks' bills. As a result, total purchases were 39 per cent smaller in August than a month earlier, 49 per cent below a year ago, and 79 per cent under the ten-year average for August. Sales continued to be nil during August. Bill holdings of accepting banks in this district declined to the smallest volume since January 1932, as a large amount of maturities took place during the month. The liability for outstandings registered a small increase in August over the preceding month. In the first two weeks of September, new financing by means of bankers' acceptances declined 58 per cent from the corresponding weeks of August. A sharp drop in borrowing by the iron and steel industry, following a heavy gain in the first two weeks of August, was for the most part accountable for this trend.

TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

PER CENT CHANGE IN AUGUST 1935 FROM JULY 1935 AUGUST 1934

Total value of bills accepted.....	-6.4	-41.7
Purchases (including own bills discounted).....	-39.0	-49.6
Sales.....	0	-100.0
Holdings*.....	-9.1	-48.0
Liability for outstandings*.....	+0.9	-38.2

*At end of month.

SECURITY MARKETS

Demand for bonds in the Chicago market during August and the early part of September was somewhat less than during July. High grade bond prices softened, particularly municipals, though not to any marked degree. United States Government obligations also were slightly lower. Preference in the demand during August continued generally to be for the high grade issues, and corporate obligations having a conversion privilege were very easily moved. The total volume of new issues during the month, including a considerable amount of refundings, declined from July but exceeded that of August 1934. Prices on the Chicago Stock Exchange moved within a narrow range during August and the first two weeks of September. The average price of twenty leading stocks* amounted to \$40.06 on September 16, as compared with \$39.59 on the corresponding day a month earlier.

*Chicago Journal of Commerce.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

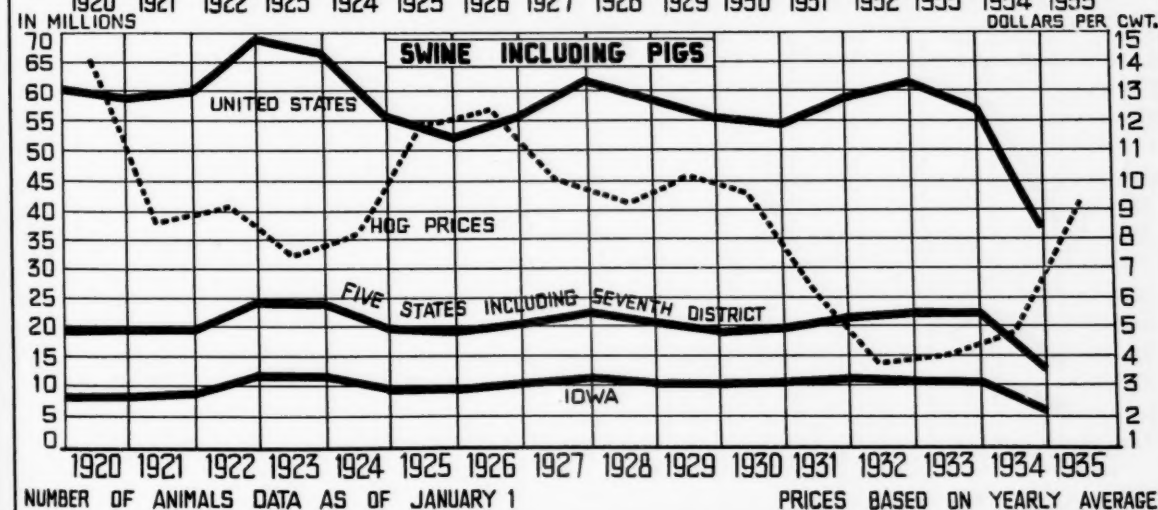
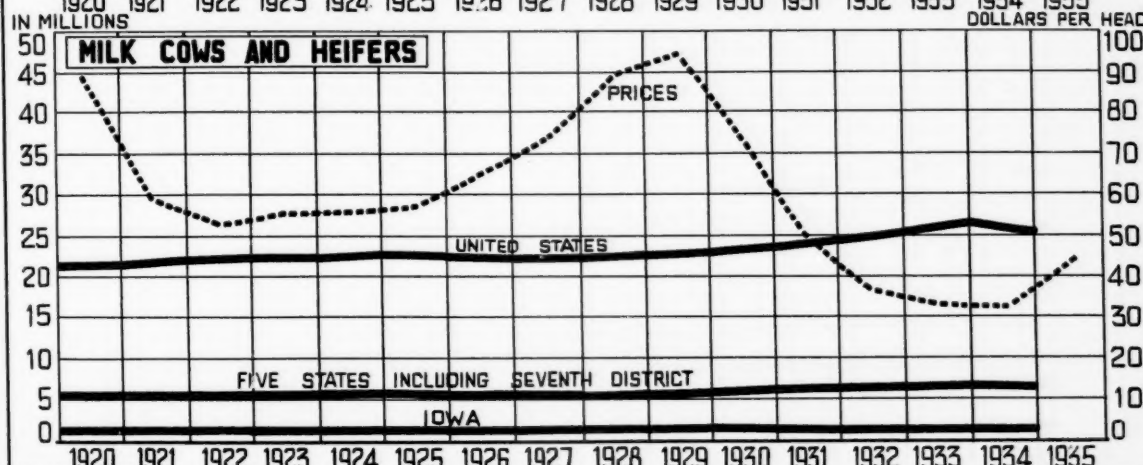
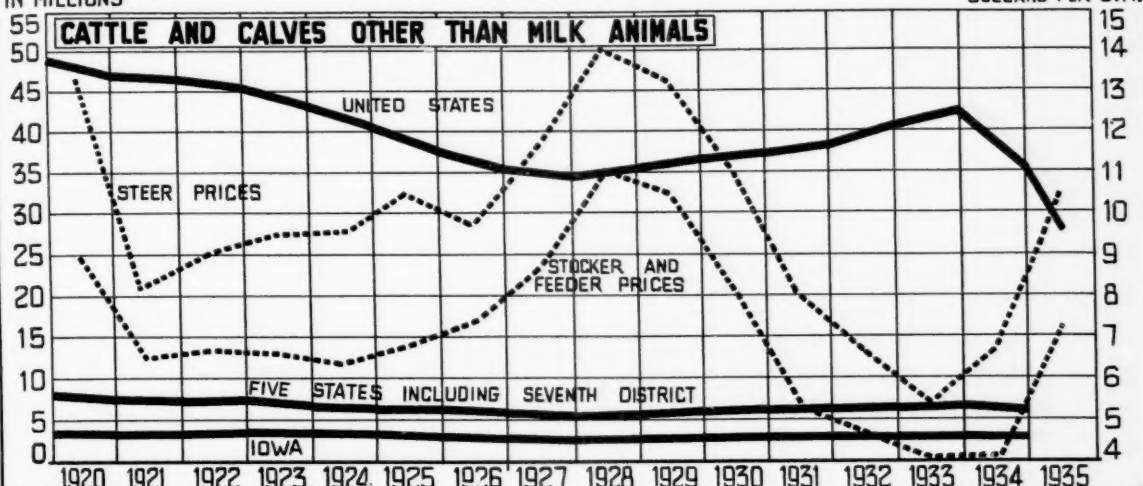
	AUG. 1935	PER CENT OF INCREASE OR DECREASE FROM JULY 1935	AUG. 1934
Chicago.....	\$2,595	-5.9	+19.6
Detroit, Milwaukee, and Indianapolis..	1,050	-3.9	+21.1
Total four larger cities.....	\$3,645	-5.3	+20.0
36 smaller centers.....	612	-1.2	+18.8
Total 40 centers.....	\$4,257	-4.8	+19.8

LIVESTOCK ON FARMS AND TREND OF PRICES

FROM 1920

IN MILLIONS

DOLLARS PER CWT.



DIVISION OF RESEARCH AND STATISTICS, FEDERAL RESERVE BANK OF CHICAGO

Prices: Hogs—yearly general average, Chicago (Chicago Daily Drovers Journal); Cattle—yearly general average native beef steers, Chicago, all weights 750 to 1,800 pounds (Chicago Daily Drovers Journal); Stockers and Feeders—yearly average, Chicago, (Chicago Daily Drovers Journal); Milk Cows and Heifers—yearly average farm price of milk cows in United States (U. S. Department of Agriculture, "Crops and Markets").

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Agricultural Products

Following showers and unseasonable coolness which delayed progress early in September, dry weather, abundant sunshine, and higher than normal temperatures pushed corn rapidly toward maturity so that the Seventh district crop was in good condition and only ten to fifteen days behind usual schedule on September 17. One-third to one-half of the district corn was safe from frost damage by that date, and from 70 to 80 per cent of the production was expected to be entirely free of this danger by September 30. Some of the crop had been cut by mid-September, but most of it was still uncut and little corn had dried out sufficiently to be used for seed. There is some danger that the supply of seed corn may be rather small this year. A continuance of present favorable weather until late in October would remedy this condition and also result in the total crop of corn being larger than indicated by current forecasts which are based on expectation that killing frosts in 1935 will occur no later than usual. The digging of potatoes had started by September 17, with yields somewhat under earlier estimates. Beans and late potatoes in the northern and central counties of Michigan suffered some deterioration from frost on September 10. Fall plowing was general in the Seventh district by September 17, except in a few areas where the ground was too dry; seeding of winter grains also had begun. Silo filling was under way. A large crop of soy beans was being harvested, and a large portion of the tobacco crop had been cut. Peaches, grapes, apples, and other autumn fruits were ripening later than usual, but picking had begun by September 17. Considerable rot in peaches and a rather heavy premature drop of apples were reported. Deterioration brought the tomato crop decidedly under earlier expectations.

On the basis of September 1 condition, the United States Department of Agriculture reduced Seventh district forecasts of small grain and fruit from those of August 1 and increased those of corn, potatoes, dry beans, and tobacco. The Seventh district production of corn, oats, spring wheat, barley, flaxseed, and tobacco

CROP PRODUCTION

Estimated by the United States Bureau of Agricultural Economics on the basis of September 1 condition

(In thousands of bushels unless otherwise specified)

	SEVENTH DISTRICT		UNITED STATES		
	FORECAST 1935	FINAL 1934	FORECAST 1935	FINAL 1934	1928-32 AVERAGE
Corn.....	796,272	482,658	2,183,755	1,377,126	2,562,147
Oats.....	444,735	183,361	1,181,692	525,889	1,217,646
Winter Wheat.....	55,468	49,293	431,709	405,552	618,186
Spring Wheat.....	2,348	1,632	162,906	91,377	242,385
Barley.....	47,119(a)	28,880(a)	283,339	118,348	282,841
Rye.....	11,638(a)	5,560(a)	52,236	16,045	38,655
Buckwheat.....	1,083(a)	1,267(a)	7,626	9,042	8,277
Flaxseed.....	237(b)	151(b)	14,450	5,213	15,961
Potatoes (white).....	59,371	66,027	372,677	385,421	363,367
Potatoes (sweet).....	1,410(c)	1,180(c)	68,735	67,400	63,841
Sugar Beets.....	1,012(d)	999(d)	8,426	7,481	8,118
Apples (total).....	22,964(a)	12,085(a)	167,864	120,670	161,333
Peaches.....	6,397(e)	1,290(e)	52,200	45,665	56,451
Pears.....	1,548(e)	1,638(e)	21,344	23,490	23,146
Cranberries.....	73(f)	59(f)	532	443	581
Grapes.....	80(a)	75(a)	2,314	1,931	2,200
Dry Beans.....	4,289(g)	3,400(g)	13,303	10,369	11,858
Tobacco.....	17,144	12,764	1,263,593	1,045,660	1,432,845
All Tame Hay.....	17,052	9,856	74,880	52,269	69,591
Wild Hay.....	646(a)	498(a)	12,330	4,759	10,793
Broom Corn.....	13(h)	12(h)	58	32	47
Onions.....	3,182(a)	2,612(a)	15,046	12,980	13,402*
Cabbage.....	293(i)	262(i)	995	1,229	964*
Tomatoes for Table Use.....	1,377(e)	1,081(e)	20,354	18,279	16,994*
Canning Crops:					
Snap Beans.....	21(i)	17(i)	80	66	71*
Sweet Corn.....	480(a)	222(a)	901	496	587*
Tomatoes.....	471(e)	352(e)	1,842	1,406	1,310*
Green Peas.....	102(j)	82(j)	259	165

*In thousands of tons. *In thousands of barrels. *In thousands of 100-lb. bags. *In thousands of pounds. (a) Five states including the Seventh Federal Reserve district. (b) Iowa and Wisconsin. (c) Illinois, Indiana, and Iowa. (d) Michigan. (e) Illinois, Michigan, Indiana, and Iowa. (f) Wisconsin. (g) Michigan and Wisconsin. (h) Illinois. (i) Indiana, Michigan, and Wisconsin. (j) Wisconsin, Michigan, Indiana, and Illinois. *1929-33 Average.

was expected to be below the 1928-32 average and that of most other crops to exceed this average.

GRAIN MARKETING

Receipts of wheat at interior primary markets in the United States rose counter-seasonally by 59 per cent in August over a month earlier, and the volume for the first two months of the 1935 season aggregated $8\frac{1}{2}$ per cent in excess of the corresponding period of 1934 but $40\frac{1}{2}$ per cent under the normal for 1925-34. Reshipments increased slightly less than the usual amount in August over July; the total for August and July was 16 per cent under a year ago and $61\frac{1}{2}$ per cent below the ten-year average for these two months. Imports into the United States continued much heavier than in 1934 and exports remained practically nil. With likelihood of the world crop being only 3 per cent heavier than in 1934 and with prospects that 40 to 50 million bushels of imported wheat may be needed in the United States this season, wheat prices at Chicago advanced in August and the first half of September. The visible supply of wheat in the United States showed the usual accumulation on September 14 over a month earlier but was 50 per cent below the 1925-34 average for that date.

The movement of corn at these concentration centers was only one-fifth that of last August and one-third of normal; receipts decreased less than a customary amount from July, but reshipments fell off more than seasonally. Imports of this grain also continued in excess of a year ago and exports remained negligible. United States visible supplies of corn declined sharply on September 14 from mid-August and were only one-twelfth those of a year earlier and one-fourth of the 1925-34 average for that date. Following a decline in August and early September, prices had begun to firm by mid-September.

Oat receipts at these markets expanded sharply in August over a month previous, and the total from July 1 to August 31 was 200 per cent above the corresponding period of 1934 and within 5 per cent of average. Reshipments in the 1935 season to August 31 were $57\frac{1}{2}$ per cent under the 1925-34 average. Imports and exports were light, and prices decreased further in August and the first half of September. Visible supplies of oats in the United States rose more than a customary amount on September 14 over the month immediately preceding and were not only much heavier than a year ago but slightly above average for mid-September.

MOVEMENT OF LIVESTOCK

Cattle receipts at public stock yards in the United States rose slightly more than is customary in August

LIVE STOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District,				
August 1935.....	188	309	262	71
Federally Inspected Slaughter,				
United States				
August 1935.....	875	1,668	1,665	472
July 1935.....	745	1,712	1,546	464
August 1934.....	1,612*	2,641	1,527	990*

*Inclusive of slaughter for relief agencies.

AVERAGE PRICES OF LIVE STOCK

(Per hundred pounds at Chicago)

	WEEK ENDED SEPT. 21 1935	AUGUST 1935	MONTHS OF JULY 1935	AUGUST 1934
Native Beef Steers (average).....	\$10.65	\$10.65	\$9.80	\$7.20
Fat Cows and Heifers.....	7.45	7.85	7.50	4.95
Calves.....	8.75	9.00	7.85	6.10
Hogs (bulk of sales).....	10.95	10.85	9.40	5.85
Lambs.....	9.00	8.90	8.45	6.50

over July to a point above any other month since last November, while those of lambs gained less than seasonally but were above any earlier period of 1935. On the other hand, hog marketings fell off $4\frac{1}{2}$ per cent from July and were lower than for any month on record (January 1915), being 53 per cent less than the 1925-34 August average and 38 per cent under a year ago. The volume of cattle and calf receipts was only half as great as last August and approximately 5 per cent smaller than the ten-year average; that of lambs exceeded the normal by $\frac{1}{2}$ per cent and was within $1\frac{1}{2}$ per cent of a year ago. The movement to inspected slaughter (inclusive of animals that did not pass through public stock yards) differed from the trend of market receipts in that cattle and calf supplies increased over the 1925-34 average for the month and that of lambs not only showed a greater than normal expansion over July but was heavier than for last August. With only five exceptions, all of them prior to 1918, the supply of hogs for inspected slaughter was below any other month in thirty-seven years, though decreasing somewhat less than seasonally from July.

Reshipments of cattle and calves to feed lots increased more than usual in August over July, but the movement of feeder lambs recorded less than the customary gain for the month. Each fell off sharply in volume from a year earlier, and the movement of feeder lambs and cattle was under the 1930-34 August average. On the other hand, reshipments of calves exceeded this five-year average by $17\frac{1}{2}$ per cent.

MEAT PACKING

Packing-house commodity production at inspected slaughtering establishments in the United States rose counter-seasonally by 7 per cent in August over July but was $17\frac{1}{2}$ per cent lighter than the 1925-34 average for the month, $32\frac{1}{2}$ per cent under total production of last August—inclusive of processing for relief agencies—and 13 per cent below commercial production of that month. The sales tonnage exceeded current production, though gaining less than is customary over July and totaling approximately 17 per cent smaller than a year ago and the 1925-34 August average. A slight advance in the general price level of packing-house commodities took place in August over a month earlier. Sales billed to domestic and foreign customers were $2\frac{1}{2}$ per cent greater in total value than in July and not only $11\frac{1}{2}$ per cent in excess of a year ago but within 10 per cent of the average. Inventories in the United States decreased less than usual on September 1 from a month earlier; they were, however, 386,406,000 pounds under the 1930-34 average for the date. Payrolls for the last week of August reflected little change in hours worked as compared with July but recorded decreases of $1\frac{1}{2}$ per cent in employees and one per cent in wage payments; furthermore, the recession in all items from a year ago was slightly greater than had been evidenced a month earlier.

Shipments for export were reduced further in August and consisted principally of lard to Cuba and of hams and other meats to the United Kingdom. Owing to limited supply in the United States, keen competition of Continental European and South American producers, and to a shifting to butter and other substitutes, both the demand for and forwardings of American lard to the United Kingdom fell off to almost negligible proportions during the month. British quotations for American hams strengthened in August but were not quite up to Chicago parity, and prices of United States lard in that country remained at a considerable discount. Inventories of

United States packing-house commodities in foreign markets—inclusive of stocks in transit—decreased further. Imports into the United States also declined in August from July.

DAIRY PRODUCTS

Creamery butter production in the Seventh Federal Reserve district decreased more than seasonally in August from a month earlier, being $13\frac{1}{2}$ per cent lighter than in July, 13 per cent under a year ago, and but $1\frac{1}{2}$ per cent above the 1925-34 August average. The sales tonnage was slightly below current manufacture but declined only $2\frac{1}{2}$ per cent from July and 7 per cent from last August, and exceeded the ten-year average by 5 per cent. Manufacture of the commodity in the United States generally followed Seventh district trends, except that it showed a smaller decrease from 1934 and a greater gain over the 1925-34 average for the month. With a 3 per cent rise in prices in August over July, inventories of creamery butter in the United States accumulated more than seasonally on September 1 over a month previous, and even with Government holdings excluded were 26,597,000 pounds above the 1930-34 average for the date and 36,324,000 pounds heavier than a year ago.

The manufacture of American cheese in Wisconsin decreased only 2 per cent in the four weeks ended August 31 from the preceding period and was not only 16 per cent heavier than a year earlier but 29 per cent greater than the 1930-34 seasonal average. Sales remained under the volume of current production, though increasing counter-seasonally by $\frac{1}{2}$ per cent over the July period to a level 8 per cent above the corresponding weeks of 1934 and $9\frac{1}{2}$ per cent in excess of the five-year average. Prices were advanced approximately $10\frac{1}{2}$ per cent in August over July. Total inventories of cheese in the United States gained more than a normal amount on September 1 over the beginning of August and were 2,923,000 pounds above the 1930-34 average for the date but 16,827,000 pounds under a year ago.

Industrial Employment Conditions

Decreases of slightly more than one per cent in employment and less than one-half per cent in payrolls reported by Seventh district industries for August were effected almost entirely through curtailments in the automobile industry. Apart from the vehicles group in which total employment declined $6\frac{1}{2}$ per cent and payrolls 6

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF AUGUST 15, 1935			CHANGE FROM JULY 15, 1935	
	REPORTING FIRMS NO.	WAGE EARNERS NO.	EARNINGS ('000 OMITTED) \$	WAGE EARNERS %	EARNINGS %
Metals and Products ¹	1,159	246,961	5,758	+1.3	+5.7
Vehicles	226	252,587	6,270	-6.5	-5.9
Textiles and Products	258	45,190	810	+4.4	+11.2
Food and Products	541	92,297	1,973	-2.3	-4.0
Stone, Clay, and Glass	149	10,511	223	+0.5	+3.8
Wood Products	343	30,795	541	+5.7	+10.5
Chemical Products	161	20,706	500	+0.8	+1.9
Leather Products	112	24,687	473	+0.2	+2.1
Rubber Products	23	9,315	195	+18.6	+31.5
Paper and Printing	494	59,970	1,470	+0.5	+1.5
Total Mfg., 10 Groups	3,466	793,019	18,213	-1.4	+0.4
Merchandising ²	1,429	84,889	1,702	-1.9	-3.0
Public Utilities	109	80,718	2,477	+0.1	-2.5
Coal Mining	15	1,873	34	-28.1	-27.8
Construction	351	16,851	316	+3.8	+3.7
Total Non-Mfg., 4 Groups	1,904	184,331	4,529	-0.9	-2.5
Total, 14 Groups	5,370	977,350	22,742	-1.3	-0.2

¹Other than Vehicles. ²Illinois and Wisconsin.

per cent, increases more than counter-balanced decreases, the aggregate for all other groups showing a rise of one-half per cent in the number of workers employed and of 2 per cent in wage payments. Despite continued seasonal activity in certain of the food industries such as canning and preserving, this group as a whole recorded declines of 2 per cent in employment and 4 per cent in payrolls. Iron and steel and other metal industries showed an expansion in operations that was more than sufficient to recover the loss in July. The textile industry as reflected in its payrolls was more active than at any time since last April. Stone, clay, and glass products resumed an upward trend which except for the interruption in July has been in progress since last January. The increases recorded for the wood products group were the largest since last February and marked the third successive month of expansion in these industries. Heavy gains in the rubber goods group were largely a reaction from the severe drop during the preceding month. Other reporting manufacturing groups such as the chemicals, leather products, and the paper and printing industries, also registered gains in both employment and payrolls from July to August. The total change for all of the manufacturing groups, including vehicles, represented a decline of 1½ per cent in number of workers accompanied by a rise of one-half per cent in payroll amounts.

The non-manufacturing industries with the exception of construction contributed generally to the August recession. Wholesale and retail trade concerns reported their working forces as 2 per cent and wages 3 per cent less. Public utilities maintained their employment volume but had payrolls that were 2½ per cent lower. The coal mining industry showed as sharp a curtailment as in July, the decline being close to 30 per cent. The construction industries continued to expand, although the increases during the past two months have been moderate as compared with those of several months preceding.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

Production of passenger automobiles in August fell off more than seasonally and for the first time since October 1934 failed to equal that of the corresponding month a year previous. This trend may be accounted for by the two months' advance to November this year in the introduction of new models and the consequent earlier curtailment of operations in preparation therefor. However, output for 1935 through August exceeded that for the entire year 1934. Passenger car production in August this year amounted to 182,389 vehicles, which number is 34 per cent less than in July and one per cent under last August. Truck output of 57,662, was 5 per cent smaller than in the preceding month and 12 per cent above a year ago.

MIDWEST DISTRIBUTION OF AUTOMOBILES

Changes in August 1935 From Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED
	JULY 1935	AUGUST 1934	
New Cars			
Wholesale—			
Number Sold.....	-29.3	+28.3	27
Value.....	-29.3	+13.3	27
Retail—			
Number Sold.....	-27.1	+3.9	46
Value.....	-25.9	+8.4	46
On Hand August 31—			
Number.....	-25.8	-14.3	46
Value.....	-27.9	-19.2	46
Used Cars			
Number Sold.....	-6.9	+37.2	46
Salable on Hand—			
Number.....	-10.0	+32.4	46
Value.....	-12.3	+21.8	46

Rather large declines were shown for August in sales of new automobiles by distributors and dealers in the Seventh district, as may be noted in the table below, but sales were heavier than in the month last year, although a number of firms reported declines in this comparison. Stocks, which dropped sharply from the end of July, continued as in recent months to be smaller than a year ago. Sales of used cars in August declined only 7 per cent from July and were substantially larger than in the same month of 1934. Although stocks of used cars remained much greater than a year ago, the margin of excess has been gradually reduced in recent months. Deferred payment sales comprised 46 per cent of the total retail sales of new cars by dealers reporting the item, which ratio compares with 47 per cent for July and with 51 per cent for identical dealers last August.

IRON AND STEEL PRODUCTS

Steel mills of the Chicago district reported a continued improvement in demand through August, the volume of new business showing a substantial increase over July. The sources of this business were widely diversified, the result of broadening activity in general manufacturing industries. Although the rate of steel ingot output declined somewhat at the end of August and over the Labor Day holiday, it increased again in the second week of September from 57 to 60 per cent of capacity, which latter rate compares with only 22 per cent at the same time in 1934 and with 40 per cent in September 1933 when declining trends were operative. Pig iron production in the Illinois and Indiana district likewise rose counter-seasonally in August, the average daily output expanding almost 23 per cent over a month previous and exceeding that of last August by 55 per cent. Finished steel prices remained strong; scrap iron and steel prices weakened slightly the first of September but steadied again in the following week.

Foundry operations in the Seventh district were sharply accelerated during August, the production of steel castings totaling 25 per cent and that of malleable castings 11 per cent heavier than in the preceding month. Shipments of steel castings registered a further expansion of 15 per cent following a gain of 23 per cent in July, but orders booked declined 27 per cent—the first loss in this item since last April. At malleable casting foundries, the trend in both shipments and orders was similar to that recorded a month earlier, the former item decreasing by a small amount while the latter expanded substantially. Comparisons with the corresponding month of 1934 showed a marked gain for all items except shipments of steel castings which declined from a year ago by approx-

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	AUGUST 1935: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	JULY 1935	AUGUST 1934	
Wholesale Lumber:			
Sales in Dollars.....	-0.1	+26.0	9
Sales in Board Feet.....	-8.8	+2.3	6
Accounts Outstanding ¹	+6.6	+7.9	9
Retail Building Materials:			
Total Sales in Dollars.....	+8.7	+25.5	164
Lumber Sales in Dollars.....	+2.0	+24.7	47
Lumber Sales in Board Feet.....	+21.2	+27.1	57
Accounts Outstanding ¹	+2.9	+6.8	156
Ratio of Accounts Outstanding ¹ to Total Dollar Sales During Month			
	AUGUST 1935	JULY 1935	AUGUST 1934
Wholesale Trade.....	148.6	139.3	173.5
Retail Trade.....	259.1	274.7	303.3

¹End of Month.

imately 19 per cent in tonnage and 8 per cent in dollar volume.

The manufacture of stoves and furnaces displayed increased activity during August after two months of seasonal declines, orders accepted rising 53 per cent, shipments 31 per cent, and molding-room operations 15 per cent over July. The reported volumes continued considerably larger than those of a year ago; increases in this comparison amounted to 17 per cent for production, 39 per cent for orders accepted, and to 56 per cent in shipments. Inventories increased one per cent during the month and were 10 per cent above those of August 31, 1934.

FURNITURE

Orders booked by Seventh district furniture manufacturers declined 16 per cent in August from July, which decrease is about seasonal, while shipments, gaining 28 per cent over the preceding month, expanded less than is usual for August. Both items, however, recorded substantial gains over August last year; orders increased 55 per cent and shipments 44 per cent in this comparison. Orders in the current period totaled heavier than shipments and, despite a moderate amount of cancellations, effected an increase of 5 per cent in unfilled orders on hand at the end of the month; as compared with a year ago, unfilled orders totaled 87 per cent heavier. Factory operations rose to an average of 61½ per cent of capacity in August, from 55 per cent in July and as against only 45 per cent in the month last year.

SHOE MANUFACTURING, TANNING, AND HIDES

Early August reports indicate a further rise in shoe manufacturing activity of the Seventh district, conforming to a trend which is generally sharply upward at this season. July production totaled 5 per cent heavier than in June and was 13 per cent in excess of output in July 1934. According to reports from the tanning industry, production of leather increased from July to August, while sales remained practically in the same volume and prices were steady. Movement of packer green hides during August in the Chicago market was unusually active and at steady prices until the latter part of the month when certain items showed advances of one-half cent. Further increases amounting to a full cent on practically all quotations were recorded during the first half of September.

Building Materials, Construction Work

Dollar sales of lumber by wholesale and manufacturing concerns of the Seventh district continued in practically the same volume in August as a month previous, whereas generally a seasonal rise takes place. Sales in board feet dropped 9 per cent below those of July but, unlike that month, were slightly above last year's volume. At retail yards of the district, dollar sales continued to expand—both those of lumber and of all materials handled by these yards—and the gains were about as large as usual at this

season. Sales in board-foot measure showed a heavier increase during August than is customary. Outstanding accounts increased during the month, and their ratio to sales was higher in August than in July for wholesale concerns, but lower at retail; for both they were smaller than a year ago. Demand for other building materials such as brick and cement showed a moderate rise in activity from July to August, increased shipments of cement into the Chicago territory being due to requirements of highways and other public works. Prices on building materials were steady, though as a whole slightly lower than last August.

BUILDING CONSTRUCTION

August marked the third consecutive month of gain in building activity of the Seventh Federal Reserve district. The total volume of contracts awarded, amounting to over 29 million dollars, was the largest for any month since December 1933. Residential contracts, however, which comprised 18 per cent of the total, declined for the second successive month.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
August 1935.....	\$29,066,632	\$5,099,909
Change from July 1935.....	+10.8%	-11.6%
Change from August 1934.....	+84.9%	+162.3%
First eight months of 1935.....	\$172,808,594	\$34,241,118
Change from same period 1934.....	+1.0%	+82.6%

*Data furnished by F. W. Dodge Corporation.

Reports on building permits issued during August in 100 cities of the district reflected a decline of 13 per cent from July in the estimated cost of proposed construction. However, an increase of 91 per cent was registered over last August. The number of permits expanded 6 and 52 per cent in the respective monthly and yearly comparisons. Chicago and Indianapolis both showed gains over July in estimated cost, furnishing the only exceptions to the general trend among the larger cities. Indianapolis and Des Moines reported declines in the yearly comparison.

Merchandising

Reporting wholesale trade groups, with the exception of electrical supplies, experienced a reaction in August from the improvement recorded for July. Grocery sales declined ½ per cent, whereas normally an increase takes place in the period, and they totaled 3 per cent less than in August last year; the hardware trade showed a recession of 2 per cent from the July volume, as compared with a decline of one per cent in the 1925-34 average for the period; and the gain of 5 per cent in drug sales was less than usual for August. The electrical supply trade, on

WHOLESALE TRADE IN AUGUST 1935

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUT- STANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUT- STANDING	COL- LECTIONS	
Groceries.....	-3.2	-0.2	-11.7	-1.8	81.0
Hardware.....	+23.6	-0.6	-3.2	+22.0	193.2
Drugs.....	+13.6	+4.6	-2.4	+9.2	153.4
Electrical Supplies.....	+78.2	+5.3	+29.5	+43.6	152.2

DEPARTMENT STORE TRADE IN AUGUST 1935

LOCALITY	PER CENT CHANGE AUGUST 1935 FROM AUGUST 1934		PER CENT CHANGE FIRST EIGHT MONTHS 1935 FROM SAME PERIOD 1934	RATIO OF AUGUST COLLECTIONS TO ACCOUNTS OUTSTANDING END OF JULY	
	NET SALES	STOCKS END OF MONTH		1935	1934
Chicago.....	-4.7	+1.9	+4.3	30.8	30.3
Detroit.....	+7.0	+1.3	+6.1	41.5	38.3
Indianapolis.....	+9.4	-13.1	+12.0	37.6	36.4
Milwaukee.....	+9.9	-4.9	+6.2	37.7	34.8
Other Cities.....	+13.2	+0.1	+7.4	31.9	28.4
7th District.....	+3.2	-0.6	+6.0	35.1	32.8

the other hand, expanded 14 per cent over the preceding month and exceeded the volume sold last August by 78 per cent, the size of these gains being affected to a considerable extent by exceptionally large increases on the part of Detroit distributors. Sales in the first eight months of 1935 totaled above those in the corresponding period of 1934 by only one per cent in the grocery trade, by 9 per cent in drugs, 18 per cent in hardware, and 21 per cent in electrical supplies. Ratios of accounts receivable to sales were higher in August than a month previous for the hardware and electrical supply trades, but in all groups were smaller than a year ago.

Although a decline of 5 per cent from August 1934 in sales of Chicago stores prevented aggregate Seventh district department store trade from showing more than a 3 per cent gain in August this year over last, sales rose more than seasonally over the preceding month, the district increase of 23 per cent over July comparing with one of but 15 per cent in the 1925-34 average. Sales by Detroit stores and those by firms in smaller cities, which rose 29 and 33 per cent, respectively, in the monthly comparison, were to a great extent responsible for the size of the aggregate gain, as Milwaukee trade expanded only 17 per cent, Chicago trade 19 per cent, and sales by Indianapolis stores 19½ per cent. Daily average sales for the district increased only 17 per cent over a month previous and but 2 per cent over last August. An increase of 4 per cent in stocks over the end of July was slightly less than average, and inventories remained a little under those of a year ago.

Following a greater than usual recession in July, sales of shoes by reporting dealers and department stores rose 23 per cent in August over a month earlier, the gain comparing with one of but 5 per cent in the 1926-34 August average. However, an exceptionally large increase likewise was recorded in the month last year, so that sales in the current period exceeded those of last August by only 4 per cent. For 1935 through August, sales totaled 6 per cent greater than for the same months of 1934. Stocks on August 31 were 18 per cent heavier than a month previous and one per cent above those at the end of last August.

Sales of furniture and house furnishings by dealers and department stores expanded about seasonally in August over July and continued to show a substantial increase over the corresponding month of 1934. The gain in the monthly comparison amounted to 30 per cent, and a 23 per cent increase was recorded over last August; dealers reported a larger gain over a year ago than did department stores. A small decline took place in stocks between the end of July and August 31; on the latter date they were one per cent larger than at the same time last year.

An increase of 5 per cent over July and one of 6 per cent over a year ago were recorded in total August sales of twelve reporting chains. Five-and-ten-cent store, drug, grocery, cigar, and musical instrument chains shared in the gain over a month previous, men's clothing chains alone reporting a decline, while in the yearly comparison groceries and men's clothing showed decreases.

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

(Index numbers express a comparison of unit or dollar volume for the months indicated using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Aug. 1935	July 1935	June 1935	May 1935	Apr. 1935	Mar. 1935	Aug. 1934	July 1934	June 1934	May 1934	Apr. 1934	Mar. 1934
Meat Packing—(U. S.)—													
Sales (in dollars).....	47	84	82	83	86	82	77	75	68	69	68	62	63
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	38	33	27	34	38	35	42	40	41	44	31	28
In Tons.....	12	37	32	25	31	38	33	46	44	44	47	31	28
Malleable—In Dollars.....	21	36	38	39	43	48	45	27	25	32	41	38	36
In Tons.....	21	53	55	57	65	72	69	40	36	48	62	58	58
Stoves and Furnaces—													
Shipments (in dollars).....	10	132	100	117	120	114	108	85	64	84	102	78	82
Furniture—													
Orders (in dollars).....	13	59	71	41	48	41	47	38	42	20	29	25	31
Shipments (in dollars).....	13	54	42	38	44	51	49	37	27	25	33	23	24
Flour—													
Production (in bbls.).....	19	94	85	87	100	85	89	102	82	94	96	87	101
Output of Butter by Creameries—													
Production.....	59	132	153	173	143	98	83	152	150	152	143	102	95
Sales.....	61	130	134	141	130	94	87	140	132	136	138	108	110
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	77	78	74	74	70	67	78	67	83	76	64	68
Hardware.....	11	70	71	76	76	72	64	57	54	62	71	63	54
Drugs.....	12	73	70	70	74	73	73	69	59	63	68	66	73
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	27	64	55	76	72	75	68	66	52	72	73	65	68
Detroit.....	5	74	58	78	92	96	92	69	50	76	93	91	92
Indianapolis.....	4	77	64	79	88	88	89	70	51	71	81	78	84
Milwaukee.....	5	69	59	75	76	85	77	63	52	68	74	82	71
Other Cities.....	40	70	53	72	77	76	71	62	45	64	76	65	74
Seventh District—Unadjusted.....	81	68	56	76	78	81	75	66	51	71	78	72	75
Adjusted.....	81	85	78	78	76	76	83	82	70	73	76	73	76
Automobile Production—(U. S.)—													
Passenger Cars.....	62	94	101	105	137	124	63	76	89	94	98	95	95
Trucks.....	153	162	172	152	202	181	136	111	120	150	172	137	137
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....	17	20	26	18	16	9	7	7	9	13	10	8	8
Total.....	42	38	34	33	36	32	23	28	30	32	36	37	37
Iron and Steel—													
Pig Iron Production:													
Illinois and Indiana.....	65	53	59	67	65	63	42	45	66	68	54	49	49
United States.....	58	50	53	57	57	58	35	40	66	67	59	53	53
Steel Ingot Production—(U. S.).....	81	66	67	73	76	83	38	45	88	95	88	88	78

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(By the Board of Governors of the Federal Reserve System)

TOTAL volume of industrial production increased in August by about the usual seasonal amount. Steel output increased more than seasonally, while the output of automobiles and anthracite declined sharply. Factory employment and payrolls increased. Wholesale prices of farm products and metals advanced during August and the first two weeks of September, and prices of wheat and metals increased further in the third week of the month.

PRODUCTION AND EMPLOYMENT

Industrial production increased seasonally in August and the Board's index, which is adjusted to allow for usual seasonal variations, remained unchanged at 86 per cent of the 1923-1925 average. Activity at steel mills showed a considerable increase from July to August and in the first three weeks of September was at a level higher than in any other month since February. Automobile assemblies declined by about 30 per cent in August and showed a further sharp reduction in the early part of September, reflecting in part preparations for early introduction of new models. At lumber mills output continued to increase in August. Cotton consumption by domestic mills increased slightly from recent relatively low levels, and activity at woolen mills was maintained at a high rate. At mines, output of anthracite decreased sharply in August, while output of bituminous coal showed an increase.

Factory employment and payrolls increased between the middle of July and the middle of August by more than the usual seasonal amount. Marked increases in employment were reported for the steel, machinery, lumber, silk, and clothing industries, while at automobile factories employment declined somewhat. The number of wage earners engaged in the production of durable manufactures in August was 6 per cent larger than a year earlier, while the volume of employment in other manufacturing industries as a group showed little change. Total factory employment was 3 per cent larger than in August 1934.

Daily average value of construction contracts, as reported by The F. W. Dodge Corporation, showed little change in August and the first half of September. Contracts for residential building, which earlier in the year had increased considerably, showed a decrease for this period, while the volume of public projects increased.

Department of Agriculture estimates based on September 1 conditions indicate a cotton crop of 11,489,000 bales, as compared with the unusually small crop of 9,636,000 bales last year. The indicated crops of corn, wheat, and other grains are considerably larger than last year, when drought conditions prevailed, and the condition of pastures is above the ten-year average.

DISTRIBUTION

Freight car loadings increased considerably in August and the first half of September, partly as a consequence of seasonal factors. Department store sales increased slightly less than seasonally from July to August.

COMMODITY PRICES

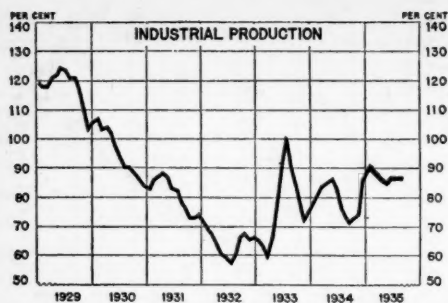
The general level of wholesale commodity prices, as measured by the index of the Bureau of Labor Statistics, advanced from 79.6 per cent of the 1926 average at the beginning of August to 80.8 per cent in the second week of September, and prices of many leading commodities, including wheat, silk, copper, lead, and zinc advanced further in the third week of the month. Cotton prices declined considerably in August and showed relatively little change in the first three weeks of September.

BANK CREDIT

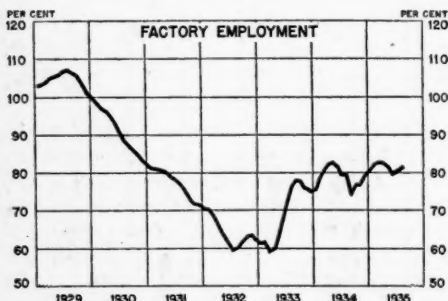
Excess reserves of member banks declined in the five-week period ended September 18, reflecting a temporary increase in the Treasury's total holdings of cash and deposits at Federal Reserve banks and a seasonal increase of money in circulation, which was partly offset by an inflow of gold from abroad.

Total loans and investments of reporting banks in leading cities increased by \$610,000,000 during the five weeks ended September 18. Loans increased by \$100,000,000, holdings of United States Government direct obligations by \$390,000,000, holdings of United States guaranteed securities by \$70,000,000, and holdings of other securities by \$50,000,000. Adjusted demand deposits of these banks—that is, demand deposits other than Government and bank deposits, adjusted for collection items—increased by \$140,000,000, United States Government deposits by \$160,000,000, and balances due to banks by \$270,000,000.

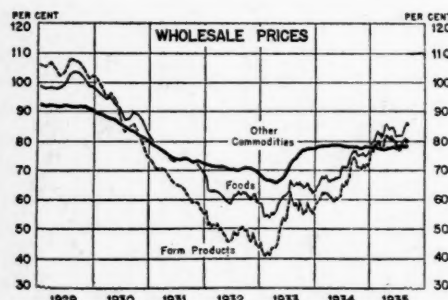
Yields on Government securities rose somewhat further during this period, while other short-term open-market money rates remained at previous low levels.



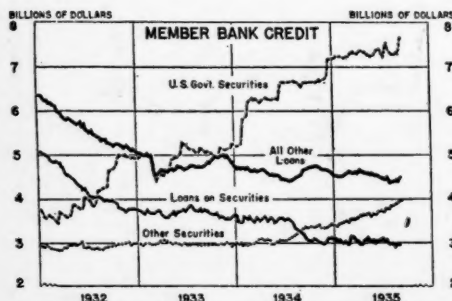
Index number of industrial production, adjusted for seasonal variation. (1923-1925 average = 100.)



Index of factory employment, adjusted for seasonal variation. (1923-1925 average = 100.)



Indexes of the United States Bureau of Labor Statistics. (1926 = 100.) By months 1929 to 1931; by weeks 1932 to date.



Wednesday figures for reporting member banks in 91 leading cities. Latest figures are for September 18, 1935.

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